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May 7, 1998

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Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

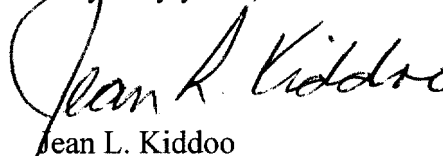
Re: Ex Parte Presentation in CC Docket No. 97-211

Dear Ms. Salas:

Transmitted herewith on behalf of WorldCom, Inc. and MCI Communications Corporation and pursuant to Section 1.1206(a) of the Commission's Rules, 47 C.F.R. § 1.1206(a) (1997), this is to provide an original and one copy of a notice of an *ex parte* presentation made this morning in the above-referenced proceeding on behalf of WorldCom, Inc., by John W. Barnett, Catherine R. Sloan, David N. Porter, Andrew D. Lipman and the undersigned, and MCI Communications Corporation, by Suleiman Hessami and Larry A. Blosser. These WorldCom and MCI Participants met with Michael Pryor, Bill Bailey, and Michael Kende of the Common Carrier Bureau, John W. Berresford of the Office of General Counsel, and Marilyn Simon of the Office of Plans and Policy ("FCC Participants") to discuss domestic long distance issues raised in this proceeding and addressed in their comments. Copies of the attached written materials were provided to the FCC Participants at the meeting.

Should any further information be required with respect to this *ex parte* notice, please do not hesitate to contact me. I would also appreciate it if you would date-stamp the enclosed extra copy of this filing and return it with the messenger to acknowledge receipt by the Commission.

Very truly yours,


Jean L. Kiddoo

Enclosures

cc (w/o enc.): FCC Participants
Larry A. Blosser, Esq.

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MCI/WORLDCOM TRANSFER OF CONTROL

CC DOCKET 97-211

LONG DISTANCE SERVICES

***EX PARTE* PRESENTATION BY MCI/WORLDCOM**

MAY 6, 1998



THE LONG DISTANCE MARKET IS VIGOROUSLY
COMPETITIVE



MCI WORLDCOM IS COMMITTED TO SERVE
THE WHOLESALE MARKET



MCI WORLDCOM WILL CONTINUE TO SERVE
THE RESIDENTIAL MARKET

LONG DISTANCE MARKET IS VIGOROUSLY COMPETITIVE



⇒ ACCESS MINUTES HAVE MORE THAN TRIPLED SINCE ACCESS MINUTES WERE FIRST MEASURED IN 1984

- ✓ Access Minutes Have Grown from 167.1 Billion in 1985 to 499.1 Billion in 1997
- ✓ Terminating Access Minutes Have Grown from 121.8 Billion in 1987 to 316.0 Billion in 1997



LONG DISTANCE MARKET IS VIGOROUSLY COMPETITIVE



*LONG DISTANCE RATES FELL 5.3% BETWEEN JANUARY 1996
AND NOVEMBER 1997.
LONG DISTANCE PRICES ARE NOW THE LOWEST THEY
HAVE EVER BEEN.*

– FCC CHAIRMAN WILLIAM KENNARD
February 9, 1998



LONG DISTANCE MARKET IS VIGOROUSLY COMPETITIVE



**THE MERGER WILL NOT CREATE ANY DOMINANCE IN THE
LONG DISTANCE MARKET**

⇒ NO MATTER WHETHER MEASURED BY PRESUBSCRIBED LINES OR
TOLL REVENUES, COMBINED MARKET SHARE WILL BE
ROUGHLY HALF THAT OF AT&T

✓ Presubscribed Lines

> MCI WorldCom – 17.2%

> AT&T – 63.3%

✓ Toll Revenues (IXC only)

> MCI WorldCom – 25.5%

> AT&T – 47.9%

⇒ 75% OF THE POPULATION LIVES IN LATAs SERVED BY AT LEAST
6 LONG DISTANCE NETWORKS; 60% OF THE POPULATION LIVES IN
LATAs SERVED BY AT LEAST 8 LONG DISTANCE NETWORKS



LONG DISTANCE MARKET IS VIGOROUSLY COMPETITIVE



**A MERGER OF THE #2 AND THE #4 LONG DISTANCE CARRIERS IS
NOT ANTICOMPETITIVE**

⇒ 1990: MCI (#2) ACQUIRED TELECOM*USA (#4)

✓ HHI of Long Distance Industry
Has Declined Since That Merger



LONG DISTANCE MARKET IS VIGOROUSLY COMPETITIVE
◆
MARKET SHARE BASED ON TOLL REVENUES (IXC ONLY)

<u>YEAR</u>	<u>AT&T</u>	<u>MCI</u>	<u>SPRINT</u>	<u>WORLD COM</u>	<u>OTHER</u>
1984	90.1%	4.5%	2.7%		2.6%
1985	86.3	5.5	2.6		5.6
1986	81.9	7.6	4.3		6.3
1987	78.6	8.8	5.8		6.8
1988	74.6	10.3	7.2		8.0
1989	67.5	12.1	8.4	0.2%	11.8
1990	65.0	14.2	9.7	0.3	10.8
1991	63.2	15.2	9.9	0.5	11.3
1992	60.8	16.7	9.7	1.4	11.5
1993	58.1	17.8	10.0	1.9	12.3
1994	55.2	17.4	10.1	3.3	14.0
1995	51.8	19.7	9.8	4.9	13.8
1996	47.9	20.0	9.7	5.5	17.0

LONG DISTANCE MARKET IS VIGOROUSLY COMPETITIVE



THE “OTHER CARRIER” CATEGORY CANNOT BE OVERLOOKED

⇒ REPRESENTS 20% OF THE MARKET AND HAS SEEN
40% ANNUAL GROWTH

⇒ MORE THAN 20 CARRIERS IN “OTHER” CATEGORY
HAVE ANNUAL LONG DISTANCE REVENUES GREATER
THAN \$100 MILLION

⇒ 5 CARRIERS IN “OTHER” CATEGORY
(FRONTIER, LCI, EXCEL, CABLE & WIRELESS, GTE)
HAVE ANNUAL LONG DISTANCE REVENUES
GREATER THAN \$1 BILLION



LONG DISTANCE MARKET IS VIGOROUSLY COMPETITIVE



⇒ **FOR EXAMPLE, MCI OFFERS 5 CENT SUNDAYS**

✓ The Traffic Volume on Each Sunday Now Is Greater than Traffic Carried Last Year on Mother's Day, Traditionally the Busiest Calling Day of the Year

⇒ **FOR EXAMPLE, SPRINT OFFERS FREE FRIDAYS TO BUSINESS CUSTOMERS**



EFFICIENCIES AND SYNERGIES



**COMBINING MCI AND WORLDCOM LD TRAFFIC WILL REDUCE
LD COSTS AND ACCELERATE LOCAL COMPETITION**

⇒ COMBINED MCI AND WORLDCOM LONG DISTANCE CUSTOMER
BASE WILL BE ABLE TO USE WORLDCOM LOCAL FACILITIES

✓ Will Justify Direct Trunks from More Central Offices
to the MCI WorldCom Points of Presence

✓ Reduced Use of ILEC Tandem Switch

✓ Reduced Access Charges

✓ Reduced Transport Costs

⇒ PHYSICAL COLLOCATION AND USE OF UNBUNDLED NETWORK
ELEMENTS MORE ATTRACTIVE

EFFICIENCIES AND SYNERGIES



**COMBINATION OF FACILITIES
WILL IMPROVE SERVICE QUALITY**

⇒ WHERE MCI AND WORLDCOM BOTH HAVE LD FACILITIES,
COMBINATION WILL:

- ✓ Reduce Service Outages
- ✓ Improve Service Quality
- ✓ Enable Traffic Load Balancing



WHOLESALE INTEREXCHANGE SERVICES



**MCI WORLDCOM IS COMMITTED TO SERVE
THE WHOLESALE MARKET FOLLOWING THE MERGER**

⇒ WORLDCOM AND MCI HAVE INVESTED LARGE AMOUNTS OF
TIME AND MONEY TO DEVELOP THEIR WHOLESALE BUSINESSES

⇒ NEW ENTRANTS ARE POISED TO SEIZE
A SHARE OF WHOLESALE MARKET

For Example:

Williams	Frontier
IXC Comm.	Level 3
Qwest	GTE

WHOLESALE INTEREXCHANGE SERVICES



PROVIDING WHOLESALE SERVICES IS AS ATTRACTIVE AS PROVIDING RETAIL SERVICES

- ⇒ RETAIL SERVICES HAVE LARGER MARKETING, SALES, AND
GENERAL ADMINISTRATIVE EXPENSES
- ⇒ PROFIT MARGINS IN RETAIL ARE NOT NECESSARILY
GREATER THAN THOSE IN WHOLESALE
- ⇒ PROVIDING WHOLESALE SERVICE IS IMPORTANT TO
MCI WORLDCOM'S SUCCESS



WHOLESALE INTEREXCHANGE SERVICES



“CANNIBALIZATION” ARGUMENT LACKS ANY BASIS

- ⇒ MCI AND WORLD COM EACH NOW
SUCCESSFULLY SELL SERVICES AT BOTH
RETAIL AND WHOLESALE
- ⇒ AT&T, SPRINT, QWEST/LCI AND OTHERS SELL SUBSTANTIAL
QUANTITIES OF BOTH WHOLESALE AND RETAIL SERVICES
- ⇒ RBOCs HAVE TURNED TO A VARIETY OF VENDORS
FOR LONG DISTANCE SERVICES

WHOLESALE INTEREXCHANGE SERVICES



“CANNIBALIZATION” ARGUMENT LACKS ANY BASIS

⇒ RETAIL SERVICES ARE AT RISK TO “OTHER CARRIERS” NO
MATTER WHO THE UNDERLYING PROVIDER MAY BE

✓ Carriers Will Purchase Wholesale Capacity From Other Wholesale Providers

For example:

> Excel Communications Uses Multiple Underlying Carriers
(Subscribers Rose from 75,000 (Dec 94) to 3,800,000 (Dec 96))

> Telco Communications Uses Multiple Underlying Carriers
(Annual Income Rose from \$1,000,000 (1993) to \$428,000,000 (1996))

WHOLESALE INTEREXCHANGE SERVICES



“CANNIBALIZATION” ARGUMENT LACKS ANY BASIS

⇒ RETAIL SERVICES ARE AT RISK TO “OTHER CARRIERS” NO MATTER WHO THE UNDERLYING PROVIDER MAY BE

✓ Wholesale Customers Will Build/Lease Their Own Networks

> “The revolutionaries like GTE, Qwest, and Level 3 are building new networks from scratch and really moving toward IP over SONET.” – Chris Brickler, GTE

✓ Existing Wholesale Contracts Protect Carriers Like GTE While They Transition to Their Own Networks

WHOLESALE INTEREXCHANGE SERVICES



“CANNIBALIZATION” ARGUMENT LACKS ANY BASIS

⇒ IF A “CANNIBALIZATION” ARGUMENT WERE VALID,
PURELY WHOLESALE PROVIDERS WOULD NOT BE ENTERING
RETAIL MARKETS DIRECTLY OR THROUGH ACQUISITIONS

- ✓ Qwest acquisition of LCI provides Qwest with
Retail Customer Base of 2 Million
Business and Residential Customers



MCI WORLDCOM WILL SERVE THE RESIDENTIAL MARKET



GTE AND RBOC PETITIONS ARE CONTRADICTORY

⇒ **THEY SAY:**

✓ **Merged Company Is Likely to Abandon Residential Market**

⇒ **THEY ALSO SAY:**

✓ **Merged Company Will Not Be As Aggressive in the Wholesale Market
Because It Will Want to "Protect" Its Residential Subscriber Base**

✓ **IN FACT, BOTH RETAIL (RESIDENTIAL AND BUSINESS)
AND WHOLESALE MARKETS ARE ESSENTIAL
TO MCI WORLDCOM'S SUCCESS**



MCI WORLDCOM WILL SERVE THE RESIDENTIAL MARKET



RESIDENTIAL SERVICE IS A KEY TO MCI WORLDCOM SUCCESS

⇒ SIGNIFICANT INVESTMENT INTO DEVELOPING THIS MARKET

✓ Significant Brand Recognition

⇒ NO RATIONAL REASON TO LEAVE THE MARKET

✓ Profitable

✓ Efficient Network Use

⇒ IF COMMITMENT REDUCED, RESIDENTIAL CUSTOMERS WILL GO
TO MCI WORLDCOM'S COMPETITORS



THE LONG DISTANCE MARKET IS VIGOROUSLY
COMPETITIVE

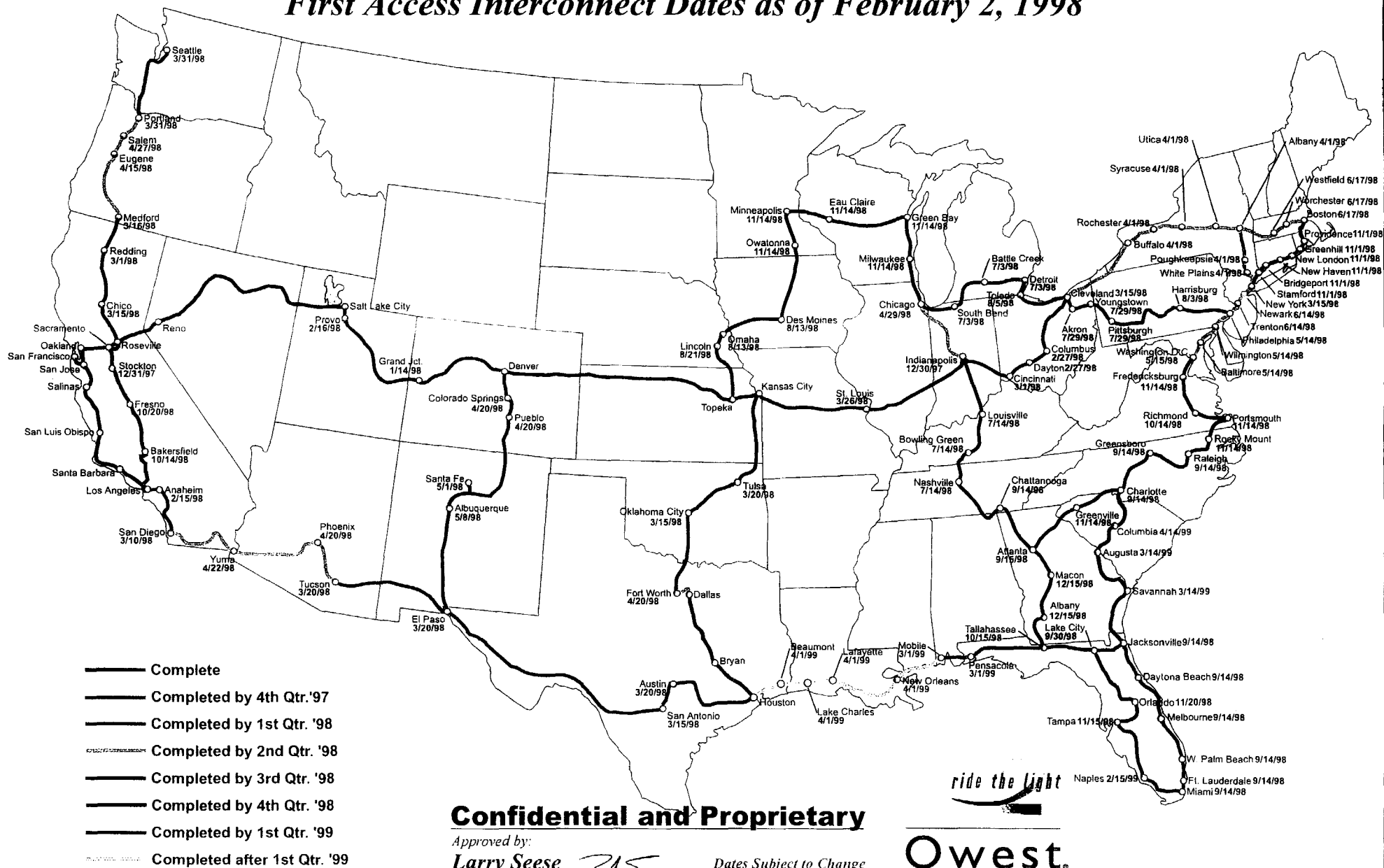


MCI WORLDCOM IS COMMITTED TO SERVE
THE WHOLESALE MARKET



MCI WORLDCOM WILL CONTINUE TO SERVE
THE RESIDENTIAL MARKET

First Access Interconnect Dates as of February 2, 1998



Confidential and Proprietary

Approved by:






Larry Seese

Dates Subject to Change

ride the light

Qwest.

■ Completes 1st Quarter 1998
 Phase II & III ('98 - '99)
 ■ Planned
 ★ ATM/Frame Relay Switches

 **Completes 1st Quarter 1998**
Phase II & III ('98 - '99)
 **Planned**
 **ATM/Frame Relay Switches**
 **Planned ATM/Frame Relay Switches**
 **Long Distance Switches**

**IXC'S NETWORK-BASED INFORMATION
DELIVERY SOLUTIONS KEEP YOUR
BUSINESS ON THE ROAD TO SUCCESS**

A WORLD-CLASS NETWORK:

- Fiber optic: coast-to-coast*
- 24-hour, end-to-end network management
- Geographically dispersed voice switches
- SONET, ATM/Frame Relay technologies
- Wave-division multiplexing

INNOVATIVE PRIVATE LINE AND SWITCHED PRODUCTS AND SERVICES:

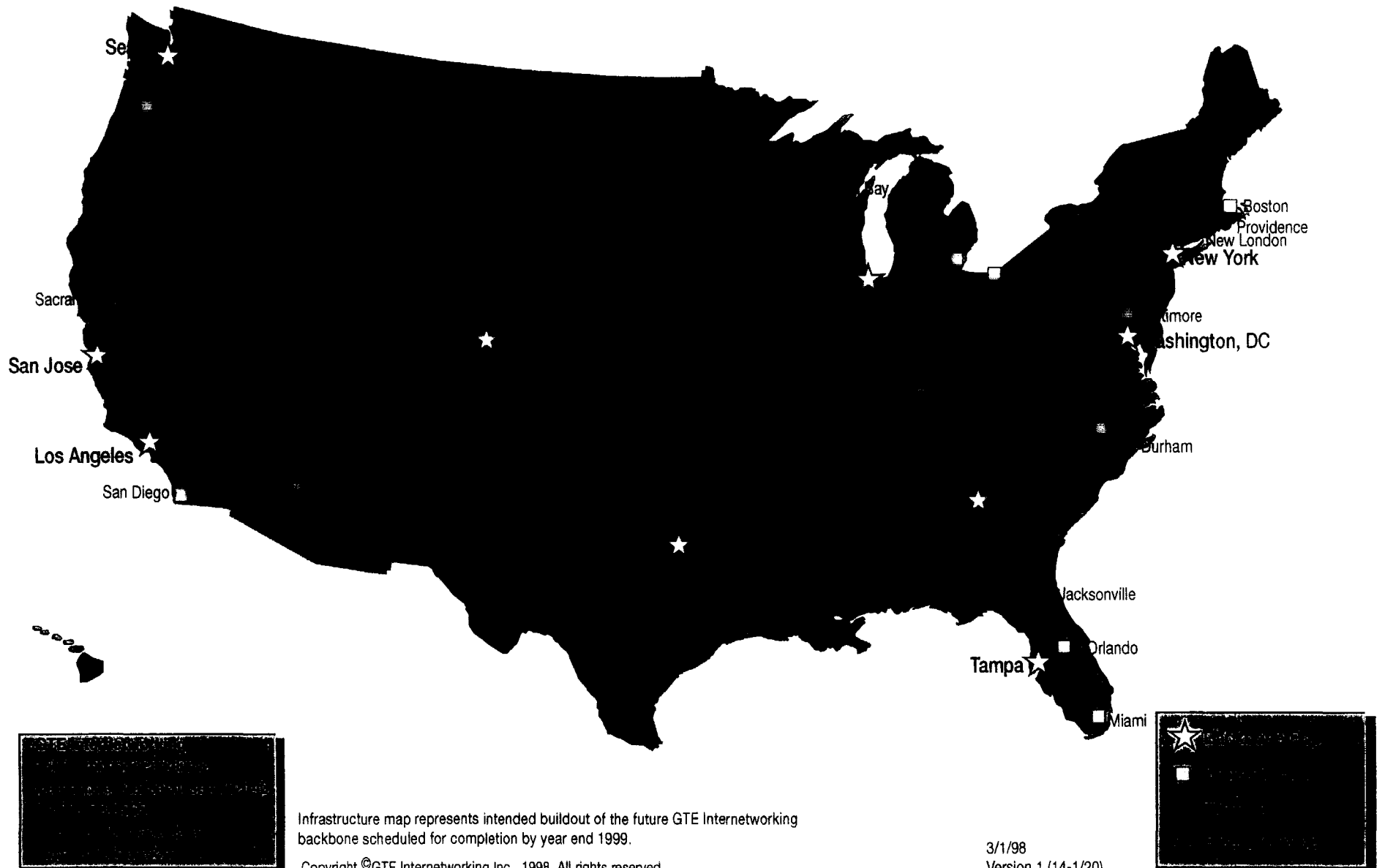
- Private line: DS-1, DS-3, E-1, OC-3, OC-12
- Collocation
- Xnet
 - Termination
 - LATA-based billing
 - OCN-based billing
 - 8XX Origination
 - Mexico
 - Canada
 - USA
- Xclusive
 - Switched and dedicated 1+ and 8XX
 - Calling card and debit card
 - 800 Service from Mexico
 - 800 Service with PIN

CUSTOMER-FOCUSED SUPPORT SERVICES:

- IXC Online™ - industry standard, user-friendly, windows-based order entry platform
- One 1-800 number for any type of customer need
- 24-hour customer support and network monitoring

*IXC's coast-to-coast fiber optic network completes 1st Quarter 1998

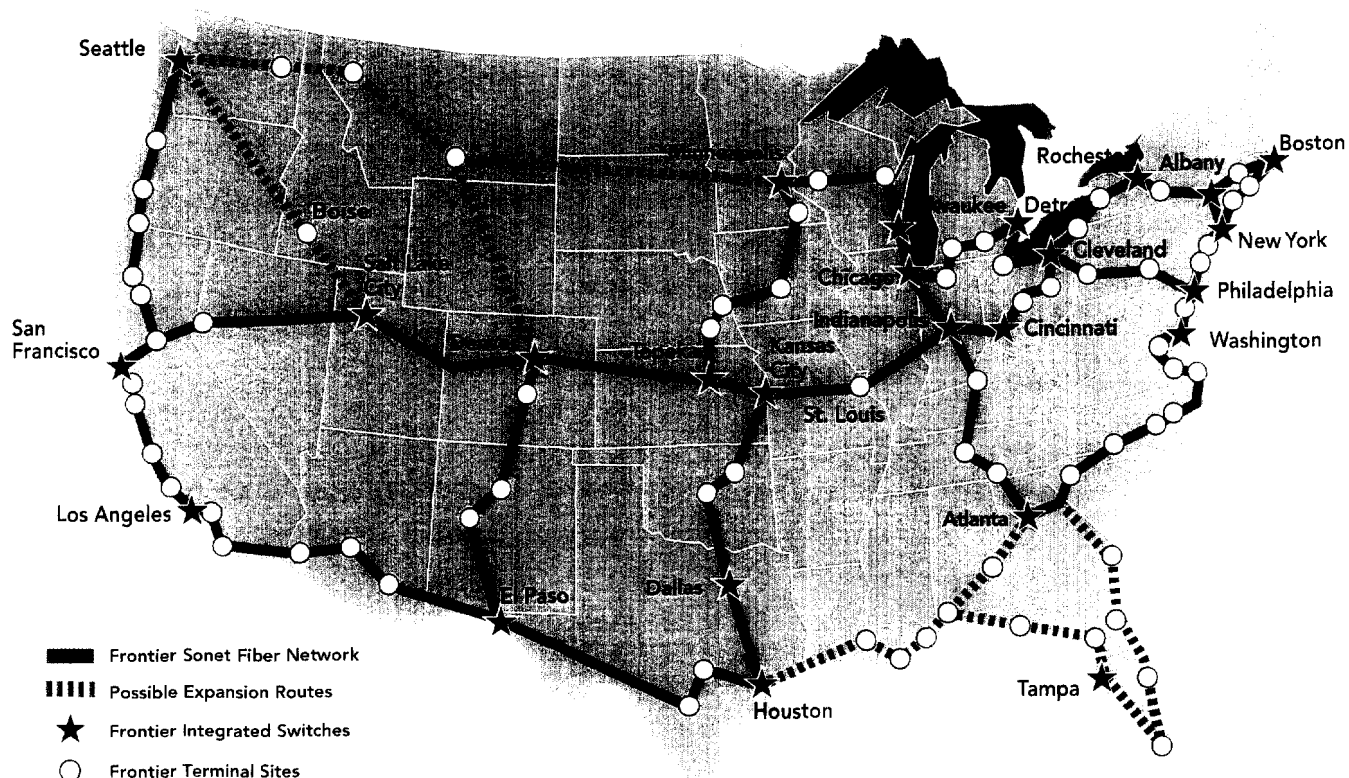
GTE National Fiber Backbone Map



The Single Source For All Your Voice, Data, and Enhanced Telecommunication Services Needs

The Backbone

Upon completion, Frontier's SONET network will offer unparalleled speed, reliability and efficiency to customers nationwide.



SONET Advantage.

SONET (synchronous optical network) is the wave of the future, and we're building it today. Soon, our national SONET network will be speeding voice, data, and video throughout the country and around the world.

- Ultra-high speed
- Completely self-healing
- 100% fiber optic
- Over 100,000 miles, 100 cities connected
- 100% reliability

